

Message Text

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ACTION EUR-12

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E.O. 11652: NA

TAGS: EFIN, EEC

SUBJECT: EC COMMISSION RECOMMENDS JOINT MEASURES TO STIMULATE
THE ECONOMY

REFS: A. EC BRUSSELS 6769

B. EC BRUSSELS 6551

1. SUMMARY: THE EC COMMISSION HAS RECOMMENDED THAT ALL
MEMBER STATES, EXCEPT THE UK AND IRELAND, TAKE ADDITIONAL
ECONOMIC EXPANSIONARY MEASURES. IT ALSO CALLS FOR CLOSER
COORDINATION WITH THE US AND OTHERS IN INCREASING WORLD
TRADE AND STABILIZING MONETARY AND FINANCIAL RELATIONS.
END SUMMARY.

2. THE EC COMMISSION SENT RECOMMENDATIONS TO THE MEMBER
STATES ON JULY 24 WHICH REITERATED THE VIEWS OF THE EC
HEADS OF GOVERNMENT AND FINANCE MINISTERS (REF B) THAT
MOST MEMBER STATES SHOULD TAKE ADDITIONAL ECONOMIC
EXPANSIONARY MEASURES. THE COMMISSION NOTES THAT THE
RECESSION HAS HIT ALL MEMBER STATES HARDER AND FOR A
LONGER PERIOD THAN WAS FORESEEN. IT ALSO CALLES FOR
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CLOSER COOPERATION WITH THE EC'S MOST IMPORTANT

PARTNERS TO EXPAND WORLD TRADE AND STABILIZE MONETARY AND FINANCIAL RELATIONS:.

3. THE COMMISSION'S STATMENT SAYS THAT EXPANSIONARY ECONOMIC MEASURE SHOULD BE COORDINATED IN CONTENT AND TIMING SO AS TO HAVE AN IMPACT THIS FALL. THE STIMULUS SHOULD COME FROM THE FRG, THE BENELUX, FRANCE AND, TO A LESSER EXTENT, DENMARK AND ITALY. MEASURES SHOULD BE DIRECTED TOWARDS REDUCING UNEMPLOYMENT AND SHOULD BE FLEXIBLE AND REVERSIBLE. THE COMMISSION CALLS FOR INCREASED PUBLIC EXPENDITURES, PARTICULARLY IN CONSTRUCTION AND HOUSING ACTIVITIES, AND FOR NEW INCENTIVES TO EXPAND PRIVATE INVESTMENT AND CONSUMPTION.

4. COMMISSION OFFICIALS DESCRIBE THESE RECOMMENDATIONS AS AN EFFORT TO PUT AN EC FRAMEWORK AROUND UNILATERAL MEASURES THAT THE FRG, FRANCE AND PERHAPS THE BENELUX COUNTRIES AND ITALY ALREADY PLAN TO TAKE. THE STATEMENT ALSO AIMS TO PUT AN EC STAMP ON THE SCHMIDT/GISCARD MEETING OF JULY 25-26 WHICH IS EXPECTED TO FOCUS ON PLANS FOR ADDITIONAL EXPANSIONARY MEASURES.

5. THE COMMISSION PROPOSED AT THE EUROPEAN COUNCIL (HEADS OF GOVERNMENT) MEETING THAT THE COMMUNITY, INCLUDING THE COMMISSION, JOINTLY COORDINATE ECONOMIC POLICIES WITH THE US AND JAPAN. SCHMIDT, HOWEVER, REPORTEDLY SUGGESTED THAT HE COULD HANDLE SUCH COORDINATION HIMSELF IN UPCOMING MEETINGS WITH US OFFICIALS. THE HEADS OF GOVERNMENT UNANIMOUSLY AGREED ON THE IMPORTANCE OF COORDINATION WITH THE US AND JAPAN. BUT THEY DID NOT SPECIFICALLY ENDORSE EITHER OF THE COMMISSION'S PROPOSAL OR THAT OF SCHMIDT. THE COMMISSION CONSEQUENTLY DECIDED TO UNDERLINE THE NEED FOR COMMUNITY COOPERATION IN WORKING WITH ITS PARTNERS. COMMISSION OFFICIALS BELIEVE THAT THE FORTHCOMING WP-3, INTERIM COMMITTEE AND PERHAPS G-10 MEETINGS WILL AFFORD AN OPPORTUNITY TO COORDINATE ECONOMIC MEASURES WITH THE US AND OTHERS. AS A RESULT, COMMISSION OFFICIALS ARE NOT PLANNING TO PROPOSE ANY OTHER LIMITED OFFICIAL USE

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EC ECONOMIC MEETINGS WITH US OFFICIALS AT THIS TIME, EXCEPT POSSIBLE TECHNICAL LEVEL MEETINGS (SEE REF A).

6. COMMENT: THE COMMISSION'S RECOMMENDATIONS ARE TOO GENERAL AND HORTATORY TO HAVE MUCH IMPACT ON MEMBER STATE POLICIES. THEY ARE INTENDED PRIMARILY AS A FACE SAVING DEVICE BY PUTTING A COMMUNITY

MANTLE ON EXPECTED UNILATERAL MEASURES AND BILATERAL
MEETINGS OF THE MEMBER STATES. END COMMENT.
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